

Message Text

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TO AMEMBASSY COPENHAGEN

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FOLLOWING REPEAT BONN 4449 ACTION SECSTATE INFO PARIS LONDON
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SUBJ: COMMODITY CONSULTATIONS: NATURAL RUBBER,
COPPER, AND TUNGSTEN

REF: (A) STATE 58403, (B) BONN 3338

1. ALLAN WENDT AND EMBOFF DISCUSSED SUBJECTS LISTED
IN REF (A) WITH FRAU STEEG AND DR. KIPPER IN THE
ECONOMICS MINISTRY ON MARCH 8. DISCUSSION SUMMARIZED AS
FOLLOWS:

2. NATURAL RUBBER: BASIC FRG POSITION ON RUBBER AND
QUESTIONS ABOUT US THINKING CONTAINED IN REF (B). FRG
CLEARLY FAVORS, AS ALWAYS, CLOSE COORDINATION AMONG
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CONSUMERS. THEY PARTICULARLY WELCOMED VISIT BY MR.
WENDT AND ENCOURAGED FURTHER VISITS TO DISCUSS
NORTH/SOUTH AND COMMODITY ISSUES AS OFTEN AS POSSIBLE.

3. ON QUESTION OF UNCTAD SECRETARIAT INVOLVEMENT IN
NEGOTIATION (DRAFTING) PROCESS FOR NATURAL RUBBER,
WENDT EXPLAINED US CONCERN ABOUT SUBSTANTIVE ROLE

FOR SECRETARIAT IN LIGHT OF ITS PAST POOR RECORD. KIPPER AGREED AND EXPLAINED THAT EC HAD SUGGESTED SECRETARIAT ACTIVITY AS A MEANS OF HELPING DELAY ACTION ON PRODUCER COUNTRY DRAFT PROPOSAL SINCE IT WAS ASSUMED CONSUMER COUNTRY DRAFT MIGHT NOT BE READY FOR SOME TIME. FACT THAT US EXPECTS TO HAVE A DRAFT PROPOSAL BY JUNE MEETING MAY TEND TO ALLEVIATE EC AND GERMAN CONCERN.

4. ON QUESTION OF A PURE BUFFER STOCK WITHOUT EXPORT CONTROLS, KIPPER WAS NOT CONVINCED THAT THIS TYPE OF ARRANGEMENT COULD REALLY WORK. HE FELT A PACKAGE OF INSTRUMENTS TO PROMOTE PRICE STABILIZATION WAS REALLY NEEDED. HE BELIEVED A BUFFER STOCK, IN THE ABSENCE OF OTHER CONTROLS, COULD ACT LIKE A MAGNET TO SOAK UP STOCKS TO THE POINT THAT THE RUBBER STOCKPILE WOULD BECOME HUGE AND WOULD OVERHANG THE MARKET.

5. ON STIMULATION OF INVESTMENT, KIPPER DID NOT SEE THAT MUCH MORE COULD BE DONE IN A POSITIVE WAY TO ENCOURAGE INVESTMENT IN RUBBER; HE BELIEVED RATHER THAT EFFORTS SHOULD BE MADE TO ELIMINATE THE PRESENT DISINCENTIVES TO INVEST, SUCH AS HIGH TAXES AND RESTRICTIVE LICENSING IN PRODUCING COUNTRIES. IF THE PRODUCERS COULD BE PERSUADED TO TAKE CORRECTIVE ACTION, THIS WOULD RE-ESTABLISH SUFFICIENT INCENTIVES TO LIMITED OFFICIAL USE

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PROMOTE GROWTH IN PRODUCTION. PARENTHETICALLY, HE SAID HE DID NOT SHARE THE VIEW THAT THERE WOULD BE A NET SHORTAGE OF NATURAL RUBBER BY THE 1980'S; GERMAN ANALYSIS, IN FACT, COMES TO THE OPPOSITE CONCLUSION.

6. COPPER: KIPPER AND FRAU STEEG SAID THAT IT WOULD BE VERY DIFFICULT TO DEVISE A SATISFACTORY AND VIABLE COPPER AGREEMENT. BOTH SAID THERE WERE GRAVE DOUBTS ABOUT SUCH AN AGREEMENT ON THE PART OF THE FRG, AND THERE WAS DOWNRIGHT OPPOSITION TO IT AS WELL ON THE PART OF GERMAN INDUSTRY. THE FRG DOES GO ALONG WITH THE IDEA OF A PRODUCER/CONSUMER FORUM, BUT CONSIDERABLE WORK STILL NEEDS TO BE DONE ON THE SPECIFICS. THEY WERE CONVINCED, HOWEVER, THAT THE FORUM SHOULD BE DIVORCED AS MUCH AS POSSIBLE FROM UNCTAD. THE FRG WOULD BE WILLING TO PROVIDE ITS SHARE OF ADMINISTRATIVE COSTS FOR THE FORUM. ON VOTING, THE FRG HAS NO CLEAR IDEA AS YET ON WHAT TYPE OF VOTING PROCEDURES SHOULD BE DEVISED, BUT KIPPER EXPRESSED HOPE THAT THE FORUM COULD BE CONSTITUTED TO AVOID QUESTIONS WHICH REQUIRED RECOMMENDATIONS AND VOTING AS MUCH AS POSSIBLE.

7. KIPPER WAS AWARE OF THE ESCAPE CLAUSE ACTION ON COPPER, BUT HAD NO REACTION. THE USG PROPOSAL TO PURCHASE COPPER FOR THE GSA STOCKPILE, WAS NEWS TO BOTH STEEG AND KIPPER. THEY INDICATED TENTATIVELY THAT THEY WOULD NOT EXPECT GSA STOCKPILE OPERATIONS ON THIS TO AFFECT THE WORLD COPPER MARKET SIGNIFICANTLY; THEY ALSO INDICATED THAT WHILE THE FRG HAD BEEN TALKING OFF-AND-ON FOR SOME YEARS ABOUT THE POSSIBILITY OF STOCKPILING, NOTHING HAD COME OF IT, AND IT WOULD BE HIGHLY UNLIKELY FOR THIS TO CHANGE. AMONG OTHER REASONS, GERMAN INDUSTRY OPPOSES THE IDEA AND BELIEVES ITSELF TO HAVE GOOD ACCESS TO SUPPLY POSITION BECAUSE OF A NUMBER OF LONG TERM CONTRACTUAL ARRANGE-
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MENTS, PARTICULARLY WITH POLAND AND ZAMBIA, ON COPPER.

8. TUNGSTEN: KIPPER SAID THE FRG WAS SOLIDLY BEHIND EFFORTS TO RESIST ANY COMMODITY AGREEMENT FOR TUNGSTEN AND WAS WILLING TO MAKE A DEMARCHE TOGETHER WITH THE US AND OTHER CONSUMERS TO THE UNCTAD SECRETARY GENERAL ALONG THE LINES SUGGESTED IN REF (A).

9. IN CLOSING, KIPPER NOTED THAT IN THE NEXT FEW WEEKS, BECAUSE OF THE INCREASED WORKLOAD, A NEW SECTION WOULD BE ORGANIZED WITHIN THE MINISTRY OF ECONOMICS TO DEAL WITH INDIVIDUAL COMMODITY ISSUES. SOME OF DR. KIPPER'S STAFF WILL MOVE TO THE NEW SECTION, WHICH IS TO BE HEADED BY A DR. STIEPEL. KIPPER WILL REMAIN IN CHARGE OF OVERALL COMMODITY POLICY, INCLUDING THE COMMON FUND. HE EXPRESSED ONCE AGAIN, HIS APPRECIATION FOR THE CLOSE COORDINATION WE HAVE HAD ON COMMODITY ISSUES. HE ESPECIALLY WELCOMED THE IDEA OF OCCASIONAL VISITS, WHERE PROBLEMS COULD BE DISCUSSED AT LENGTH, AND HOPED SUCH VISITS WOULD BE CONTINUED.
MEEHAN. UNQUOTE VANCE

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